

SETTLEMENT AGREEMENT AND RELEASE

This SETTLEMENT AGREEMENT AND RELEASE (hereinafter "Agreement") is entered into between the STATE OF CALIFORNIA AIR RESOURCES BOARD (hereinafter "ARB") 1001 I Street, Sacramento, California 95814, and Husqvarna Professional Products, Inc., (hereinafter "HUSQVARNA") with its principal place of business at 9335 Harris Corners Parkway, Suite 500, Charlotte, NC 28269.

I. RECITALS

- (1) California Code of Regulations, title 13, section 2400(a)(2) states, "Every new small off-road engine that is manufactured for sale, sold, or offered for sale in California, or that is introduced, delivered or imported into California for introduction into commerce, and that is subject to any of the standards prescribed in this article must be covered by an Executive Order, issued pursuant to this article."
- (2) California Code of Regulations, title 13, section 2753 states, "evaporative emission control systems must be certified annually to the performance-based or system design standards set out in section 2754 through 2757 by the Air Resources Board. An Executive Order of Certification for such engines or equipment must be obtained prior to the sale or lease, or the offering for sale or lease, for use or operation in California of the delivery or importation for introduction into commerce in California."
- (3) California Health and Safety Code section 43016 states, "Any person who violates any provision of this part, or any order, rule, or regulation of the state board adopted pursuant to this part, and for which violation there is not provided in this part any other specific civil penalty or fine, shall be subject to a civil penalty of not to exceed five hundred dollars (\$500) per engine. Any penalty collected pursuant to this section shall be payable to the State Treasurer for deposit in the Air Pollution Control Fund."
- (4) HUSQVARNA failed to obtain an Executive Order re-certifying nine small off-road engine families for model years 2012 and 2013, which power hand-held consumer products including line trimmers, leaf blowers and chain saws.
- (5) HUSQVARNA was notified by ARB that non-certified model year 2011 small off-road engines were sold into California. Upon further investigation by HUSQVARNA and ARB, eight non-certified small off-road evaporative emission control equipment families were found to have been sold into California.
- (6) HUSQVARNA was issued a cease-and-desist letter by ARB, ordering the discontinuation of all sales of non-compliant product in California.

- (7) Total California sales of all families of non-certified Husqvarna small off-road engines during the previous three years were approximately 17,188 units.
- (8) Husqvarna fully cooperated with ARB in the investigation and resolution of this matter, which included warehouse distribution holds and retail product recall.

II. TERMS AND RELEASE

In consideration of the ARB not filing a legal action against HUSQVARNA for the alleged violations referred to above, the ARB and HUSQVARNA agree as follows:

- (1) As a condition of this Agreement, HUSQVARNA shall pay the sum of one million thirty eight thousand dollars (\$1,038,000.00), subject to the following terms. Seventy five percent of the penalty amount (\$778,500) shall be paid to the Air Pollution Control Fund within 30 days of the effective date of this agreement. In addition, twenty five (25%) percent of the penalty amount (\$259,500) will be used towards a Supplemental Environmental Project (SEP) pursuant to the Cal/EPA Guidance on Supplemental Environmental Projects. The SEP will be determined by mutual agreement between HUSQVARNA and the ARB within 180 days of the effective date of this agreement and if no agreement is reached by then the \$259,500 will be paid to the Air Pollution Control Fund. Payments to the Air Pollution Control Fund shall be made by check payable to the California Air Pollution Control Fund and addressed along with the signed Agreement to:

Gregory Honzay
Air Resources Board
Enforcement Division
1001 I Street, P.O. Box 2815
Sacramento, California 95812

- (2) HUSQVARNA represents that it understands the legal requirements applicable to selling engines in California and agrees that it will not introduce products to commerce unless ARB certification has first been obtained. HUSQVARNA agrees that it will not acquire, offer for sale or sell new, non-California certified engines for use or registration in California.

- (3) This Agreement shall apply to and be binding upon HUSQVARNA and its principals, officers, directors, receivers, trustees, employees, successors and assignees, subsidiary and parent corporations, and upon ARB and any successor agency that may have responsibility for and jurisdiction over the subject matter of this Agreement.

(4) Now therefore, in consideration of the payment on by HUSQVARNA in the amount of one million thirty eight thousand dollars (\$1,038,000.00), ARB hereby releases HUSQVARNA and its principals, officers, directors, agents, employees, shareholders, dealers, distributors, subsidiary and parent corporations, predecessors and successors from any and all claims for past violations of Health and Safety Code section 43016, California Code of Regulations title 13, section 2400(a)(2), and section 2753 states ARB may have based on the events described in paragraphs (1) - (9) of the Recitals. The undersigned represent that they have the authority to enter this Agreement.

(5) This Agreement constitutes the entire agreement and understanding between ARB and HUSQVARNA concerning the claims and settlement in this Agreement, and this Agreement fully supersedes and replaces any and all prior negotiations and agreement of any kind or nature, whether written or oral, between ARB and HUSQVARNA concerning these claims.

(6) No agreement to modify, amend, extend, supersede, terminate, or discharge this Agreement, or any portion thereof, shall be valid or enforceable unless it is in writing and signed by all parties to this Agreement.

(7) Advice of Counsel. Each Party to this Agreement has reviewed the Agreement independently, has had the opportunity to consult counsel, is fully informed of the terms and effect of this Agreement, and has not relied in any way on any inducement, representation, or advice of any other Party in deciding to enter into this Agreement.

(8) This Agreement shall be interpreted and enforced in accordance with the laws of the State of California, without regard to California's choice of law rules.

(9) Severability. Each provision of this Agreement is severable, and in the event that any provision of this Agreement is held to be invalid or unenforceable, the remainder of this Agreement remains in full force and effect.

(10) Waiver. The failure of any Party to enforce any provision of this Agreement shall not be construed as a waiver of any such provision, nor prevent such Party thereafter from enforcing such provision or any other provision of this Agreement. The rights and remedies granted all Parties herein are cumulative and the election of one right or remedy by a Party shall not constitute a waiver of such Party's right to assert all other legal remedies available under this Agreement or otherwise provided by law.

(11) This Agreement is deemed to have been drafted equally by the Parties; it will not be interpreted for or against either party on the ground that said party drafted it.

(12) SB 1402 Statement

Senate Bill 1402 (Dutton, Chapter 413, statutes of 2010, Health and Safety Code section 39617) requires the ARB to provide information on the basis for the penalties it seeks. This required information, which is provided throughout this settlement agreement, is summarized here.

The manner in which the penalty amount was determined, including a per unit or per engine penalty.

Penalties must be set at levels sufficient to discourage violations. The penalties in this matter were determined in consideration of all relevant circumstances, including the eight factors specified in Health and Safety Code section 43024.

The per unit penalty in this case is a maximum of \$500 per unit per strict liability violation. The penalty obtained in this case is \$80.52 per unit for 17,188 units. It was reduced because this was an unintentional, first time violation, Husqvarna cooperated fully with the investigation and due to the prices the units were sold for.

The provision of law the penalty is being assessed under and why that provision is most appropriate for that violation.

ARB alleges that the penalty provision being applied in this case, Health and Safety Code section 43016, is appropriate because HUSQVARNA allegedly sold equipment not certified by ARB in violation of requirements of title 13 California Code of Regulations for which no other specific penalty or fine is provided for by Part 5 of Division 26 of the Health and Safety Code.

Is the penalty being assessed under a provision of law that prohibits the emission of pollution at a specified level, and, if so a quantification of excess emissions, if it is practicable to do so.

The provisions cited above do not prohibit emissions above a specified level. It is not practicable to quantify these emissions, because the information necessary to do so, such as emission rates and time of use, is not available. However, since the small off-road equipment involved in this case are illegal for use or sale in California, all of the emissions attributable to them are illegal as well.

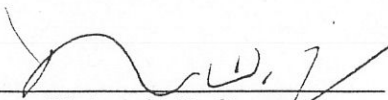
(13) HUSQVARNA acknowledges that ARB has complied with SB 1402 in prosecuting and settling this case. Specifically, ARB has considered all relevant facts, including those listed at Health and Safety Code section 43024, has explained the manner in which the penalty amount was calculated (including a per unit or per vehicle penalty, if appropriate), has identified the provision of law under which the penalty is being assessed, and has considered and determined that this penalty is not being assessed under a provision of law that prohibits the emission of pollutants at a specified

level.

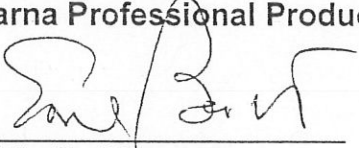
(14) Penalties were determined based on the unique circumstances of this matter, considered together with the need to remove any economic benefit from noncompliance, the goal of deterring future violations and obtaining swift compliance, the consideration of past penalties in similar case negotiation, and the potential costs and risk associated with litigating these particular violations. The penalty reflects violations extending over a certain period of time, considered together with the complete circumstances of this case. Penalties in future cases might be smaller or larger on a per unit basis.

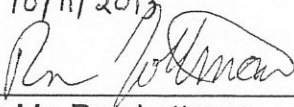
(15) The penalty in this case was based in part on confidential business information provided by HUSQVARNA that is not retained by ARB in the ordinary course of business. The penalty in this case was also based on confidential settlement communications between ARB and HUSQVARNA that ARB does not retain in the ordinary course of business either. The penalty also reflects ARB's assessment of the relative strength of its case against HUSQVARNA, the desire to avoid the uncertainty, burden and expense of litigation, obtain swift compliance with the law and remove any unfair advantage that HUSQVARNA may have secured from its actions.

California Air Resources Board

By: 
Name: Richard W. Corey
Title: Executive Officer
Date: 11/7/2013

Husqvarna Professional Products, Inc.

By: 
Name: Mr. Earl Bennett
Title: VP & General Counsel Americas
Date: 10/11/2013

By: 
Name: Mr. Ron Lottman
Title: VP & CFO Americas
Date: 10/14/13